



# Federal Assistance Programs

TARP, TALF, TLGP-----The Alphabet Soup

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November 19, 2009

# ESSA of 2008

- Provided for insured deposits up to \$250,000 from the FDIC and NCUA
- Money Market Guaranty Program
- Temporary Liquidity Guaranty Program (TLGP)

# EESA of 2008

- Commercial Paper Funding Facility (CPFF)
- Troubled Asset Recovery Program (TARP)
- Term Securities Lending Facility (TSLF)
- Primary Dealer Credit Facility (PDCF)

# Transaction Account Guarantee Program

- Non-interest bearing accounts FDIC guaranteed up to \$250,000.
- Includes accounts that pay less than 0.50% interest.
- 82% of non-interest bearing accounts, or \$736 billion were guaranteed as of 2qtr09.

# Transaction Account Guaranty Program

- Program extended to June 30, 2010 for current participants.
- Institutions pay higher fees for extended program and must opt out if they decide not to participate.
- New fees are based on the institution's risk category.

# Money Market Stabilization Programs

- Treasury Temporary Money Market Guarantee Program.
- Federal Reserve develops Asset-Backed Commercial Paper, Money Market Mutual Fund Liquidity Facility programs.

# Money Market Guaranty Program

- Treasury's Exchange Stabilization Fund allocates up to \$50 billion.
- Money Market Fund applies for insurance to protect NAV from falling below \$1.00/share.
- Program term is three months, beginning 9/08, extendible to 9/09 each quarter.

# Money Market Guaranty Program

- Treasury allows program to expire 9/18/2009.
- No losses incurred under the program.
- Fees collected total \$1.2 billion.

# Temporary Liquidity Guarantee Program (TLGP)

- 100% FDIC guarantee of senior unsecured debt issued by banks, thrifts, bank and thrift holding companies and affiliates.
- \$339 billion outstanding as of 2qtr09.
- Issuers include 64 insured banks, 33 bank and thrift holding companies and nonbanks.
- Program expires June 30, 2010; maximum maturity June 30, 2012.

# TARP Capital Purchase Program (CPP)

- U.S. Treasury allocated up to \$250 billion to purchase shares in large U.S. institutions.
- Minimum (1%) and maximum (3%) borrowing parameters established.
- Institution issues preferred stock to Treasury.
- Cumulative dividend 5%/yr, first 5 years; callable @ 100 after 3 years.
- After year 5, dividend becomes 9%/yr.

# CPP---Strings Attached

- Institution is prohibited from paying common dividends while TARP borrowing is outstanding.
- “Golden parachutes” prohibited.
- Compensation to senior management in excess of \$50,000 not tax deductible.
- “Clawbacks” of bonuses permitted if performance is subpar.

# Build America Bonds

- Result of the American Recovery and Reinvestment Act of 2009
- Issuer receives a tax credit of approx. 25% of the total return paid to the investor (for bonds issued before Jan. 1, 2011. Investor receives tax credit equal to 35% of total coupon interest. (Tax Credit)
- Issuer receives subsidy equal to 35% of total coupon interest for bonds issued before Jan. 1, 2011. (Direct payment)
- Recovery Zone Economic Development Bonds (Direct payment)—issuer receives subsidy through a refundable tax credit equal to 45% of total coupon interest.

# Aftermath

- Money market industry stabilized.
- Banking system recovering but headwinds remain.
  - Commercial real estate deterioration.
  - Higher unemployment.
- Industry consolidation may result in stronger banking system.
- Credit availability improving.

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